

**Statement of Robin McKinney**  
**National Community Tax Coalition**  
*A project of the Center for Economic Progress*

**In Support of Competent Tax Return Preparation**

The National Community Tax Coalition (NCTC) represents the 4,500 community Volunteer Income Tax Assistance (VITA) sites nationwide that collectively prepare over one million tax returns for low-income workers each year. The VITA program owes much of its success to a large, dedicated base of volunteer tax preparers. Before the tax season begins, each of these 45,000 volunteers must pass one of three—basic, intermediate, or advanced—Internal Revenue Service (IRS) certification exams. Depending on the individual VITA program, volunteers receive from eight to 40 hours of training. Further enhancing the quality of services provided, the IRS Stakeholder, Partnerships, Education and Communication (SPEC) office oversees all VITA sites, conducts training and quality review site visits, and ensures compliance with IRS rules.

NCTC believes that all taxpayers—and particularly low-income workers paying for tax preparation—should have access to competent, well-trained tax preparers. To this end, we support the licensing of paid tax preparers, which will increase the accuracy of tax returns, as well as tax preparer compliance and accountability.

**NCTC supports the following elements of a tax preparer licensing system:**

- Registration of All tax preparers, including the preparer's full name and Preparer Tax Identification Number (PTIN).
- A pre-certification education curriculum.
- A one-time competency exam for all unenrolled preparers.
- Mandatory continuing education requirements of at least 8 annual hours for all unenrolled tax preparers.
- A centralized complaint system that tracks complaints based on type, preparer contact information, PTIN, and Electronic Filing Identification Number (EFIN).
- An oversight board that includes representation from the tax preparer industry, including: unenrolled preparers; Certified Public Accountants (CPAs); Enrolled Agents (EAs); attorneys; representatives of community VITA, Tax Counseling for the Elderly (TCE), and Low-Income Taxpayer Clinic (LITC) programs; and consumer protection groups.

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**Case Study – The Maryland Experience**

In 2007, NCTC partner, Maryland CASH created a coalition of tax industry groups to create a registration system for paid tax preparers in Maryland. Coalition members included trade associations and individuals representing unenrolled preparers, CPAs, tax attorneys, Enrolled Agents, commercial preparers, VITA representatives, and consumer advocates. Over two years, this group crafted a bill to license paid tax preparers without placing an undue burden on small businesses or the state. In 2008, the General Assembly passed the Maryland Individual Tax Preparer's Act (see Table 1 for a summary of the Maryland law and a comparison to laws in California and Oregon

and past legislative proposals in Congress). The following values were central to the coalition's recommendations:

- Licensing requirements must be fair and in line with the actual knowledge and skills needed to be a competent tax preparer.
- Continuing education needs to be annual, but not so arduous or expensive that it creates a barrier for small-scale firms or sole-proprietors.
- A separate board is necessary to provide continuous feedback and oversight.
- Accountability measures have to be easily tracked and penalties must carry significant weight.
- All fees related to registration should be kept to a minimum.
- Resources could be saved through enhancements of the existing infrastructure that already exists for Enrolled Agents.

**Licensing paid tax preparers will:**

- Prevent continued loss of income tax revenue that results from inflated refunds and underreported liabilities.
- Track problem preparers who stretch the limited resources of state and federal tax enforcement offices.
- Provide critical consumer education and resources to refer taxpayers to qualified tax preparers and protect their rights as taxpayers.
- Protect taxpayers from fraudulent and misleading marketing schemes that disguise preparer qualifications and conceal the true cost of services and loan products.
- Maximize the effectiveness of refundable tax credit programs that are critical to the nation's most financially vulnerable populations.